Connecticut General Assembly
Before the Joint Committee on Energy and Technology

Written Testimony of SunEdison LLC
In Support of SB 1 - An Act Concerning Connecticut's Energy Future

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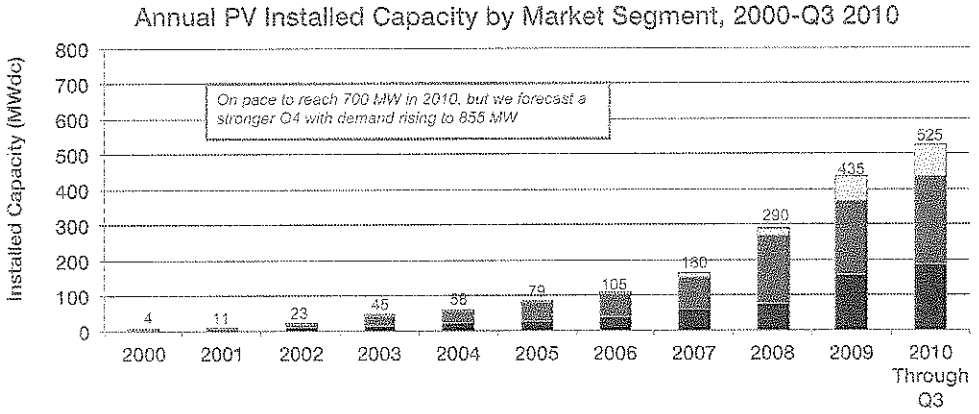
My name is Fred Zalcman and I am the Managing Director of Regulatory Affairs for SunEdison, LLC, North America's leading solar energy services provider. Founded in 2003, SunEdison currently employs over 450 people in our Beltsville, Maryland headquarters facility and in our regional operation centers throughout the world. SunEdison is a wholly owned subsidiary of MEMC[1], a global leader in the manufacture and sale of wafers, the basic building block to the semiconductor and solar industries.

SunEdison currently has over 250 MW of solar capacity under management, including the recently completed 70 MW solar farm in Rovigo, Italy – the largest such project in Europe. Here in Connecticut we operate 6 rooftop solar facilities, providing over 1.2 Mw in clean and predictably priced solar capacity to our commercial customers, including Staples, Kohl's and Whole Foods.

It is time for Connecticut to enact a state-of-the art solar incentive program. While other states, such as New Jersey and Massachusetts have made major commitments to promoting the growth of their solar industry, Connecticut's program continues to be too small, too unstable, and too limited in scope to attract major low-cost solar providers like SunEdison. In the three years since this committee first took up a broad-based solar policy, Connecticut's ranking has slipped from 8th nationally in terms of annual solar development to 18th. Despite enormous growth in our local workforce elsewhere, we were forced to pull up stakes in Connecticut in 2009, when incentives dried up.

[1] Listed on the New York Stock Exchange under the ticker symbol "WFR" and included in the S&P 500 Index.

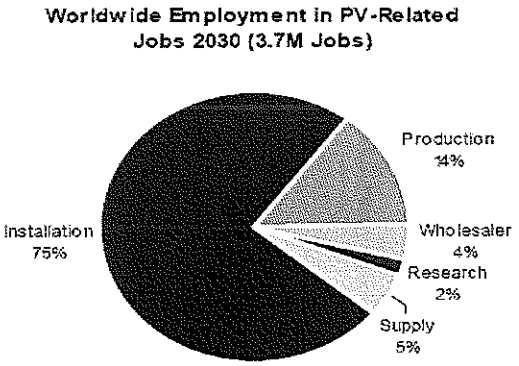
People who have not been following the solar industry growth over the last few years may not realize that solar is no longer a cottage industry, but rather one that has begun to take its place as a serious alternative to more conventional fossil generation sources. The industry has been experiencing a 60% per year annual growth rate in the United States since 2001, with over 800 Mw installed in 2010 alone.



Source: Solar Energy Industries Association, U.S. Solar Market Insight (2011)

This explosive growth can translate into high-paying jobs to get the Connecticut economy moving once again. As a Barclay's Capital analysis reveals, over 75% of all jobs connected with the solar industry are for system installation, an inherently local endeavor.

Further, solar energy promotes a balanced workforce – creating high end jobs in research and development, manufacturing, and design and engineering, but also creating a legion of workers needing no more than a high school education or vocational training.



Source: EPIA, Barclays Capital research

States throughout the country - many in the Northeast region - are starting to step up to the challenge. The solar industry is developing rapidly in New Jersey, so much so that the legislature increased the state's already aggressive goal to a staggering 4,600 Mw of installed capacity by 2026. Solar facilities are being installed in New Jersey at an

incredible rate of 10-25 MW per month. Indeed, other neighboring states, notably Massachusetts and New York, have announced ambitious plans for solar development and are steadily adding solar energy to their overall resource mix.

SB 1 would correct this situation by setting achievable solar deployment targets for the State through 2022, and by setting in motion a comprehensive and innovative set of solar policies and programs that reflect best practices in solar program design from across the country.

SunEdison is an active participant in all major solar markets across the country – indeed across the globe. Based on this experience, we believe there are **5 common elements** underlying successful, state-of-the-art incentive programs. With certain exceptions that I will address later in my testimony, the solar program embodied in SB1 largely reflects these core principles.

First, successful programs set aggressive, achievable, and enforceable deployment goals. By setting an overall statewide goal of roughly 300 MW of new solar development over the next decade, with escalating interim targets, SB 1 provides a foundation for a robust and self-sustaining solar marketplace.

Second, successful programs tie incentives to these long-term deployment goals. Markets must be stable, predictable and sustained in order for solar companies like mine to invest our precious capital in people, facilities and inventory. We believe SB1 would correct the current boom/bust cycle inherent in the existing rebate program by providing adequate resources for smaller-scale residential systems while establishing a more regular and orderly solar renewable energy credit procurement program for larger customer-sited systems.

Third, better designed incentive programs reward actual performance rather than total amount of capital invested. The SREC provisions of SB1 pay developers for every MWh of solar generation – driving the industry to develop the best systems it can. Put simply, we don't get paid if our system is not producing. Performance-based incentives that accrue over time have an added benefit - much like a mortgage enables home ownership by spreading the cost of purchasing a home over time, the SREC program minimizes the upfront ratepayer funding required to support a world class solar program.

Fourth, it is absolutely essential that the solar incentive program construct be capable of attracting significant outside financing. The 15-year utility contracting provision is the linchpin of SB1 because it enhances investor's confidence that they will recoup their investment in Connecticut solar development through future revenue streams. SB1 would place the solar procurement obligation on distribution utilities rather than retail suppliers. This is a key difference from other solar RPS programs. Utilities are best suited to provide long-term contracts in sufficient volume and market breadth, to absorb the associated risk, and do so cost effectively to minimize rate payer burden.

Last but not least, program design should support achievement of Connecticut's solar deployment goals at the lowest cost to ratepayers. Incentives should decline over time and eventually go away as solar becomes cost-effective with grid supply. SB1 addresses this objective through a number of mechanisms including a competitive auction for SRECs that imposes competitive discipline on market participants, and through strict rate caps that suspend program activity in the event solar program costs exceed a threshold level. We are confident that the goals set forth in SB1 can be achieved - and the significant economic environmental, and energy security related benefits realized – within these cost constraints.

Upon enactment, SB 1 will immediately enable homeowners, businesses and communities to resume investment in this stable-priced, clean and renewable energy alternative, while at the same time addressing important energy policy objectives - the creation of green jobs, local grid congestion relief, long-term energy cost reduction and electricity price stabilization, improved air quality and enhanced energy security for the State. Moreover, SB 1 would achieve these far-reaching and profound benefits at a monthly household cost that is less than the price of a cup of coffee – a worthy investment in even these turbulent economic times.

Notwithstanding this overarching support, we do have concerns with two provisions of the solar bill language that differ from last year's version passed by both houses of the legislature. First, although the intent is unclear, Section 59 would appear to reduce the utility SREC solicitation period from the 10 years contemplated in SB463 to a 5 year period in the bill now before this committee. This could have several unintended consequences - by concentrating program costs within a shorter time horizon and driving

up the annual costs such that the aforementioned rate caps could be triggered. Further, because solar is a declining cost industry, incentives required to make solar investments cost effective should come down accordingly. By truncating the program, the state would be failing to take advantage of the lesser incentives that would be required farther out under a ten-year program horizon. Lastly, compressing the program into a 5 year window undercuts the long-term market visibility, stability, and investor confidence I spoke of earlier in my testimony.

Second, Section 58 relieves utilities of their SREC procurement obligation to the extent SRECs are unavailable below a certain price threshold – i.e., $350/SREC. We believe that it is perfectly appropriate for the legislature to define a cost that is *per se* unreasonable, and indeed we believe the ceiling price set by the legislature is an eminently reasonable one. However, we would offer two cautions. First, this price threshold should be set over the 15-year life of the contract – not just the first year – to prevent gaming and facilitate a fair comparison of bid prices. Additionally, the legislature must take care to ensure that this price ceiling works in concert with the provisions of the bill penalizing utilities for failure to procure reasonably priced SRECs. As it currently stands, the bill may create a perverse incentive for utilities to simply pay the penalty rather than procure cheaper priced and readily available SRECs, and thus undermine the solar development goals of the legislation.

Thank you for your time and I look forward to working with the committee on this proposal through the rest of the legislative session.